

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CHARTER TOWNSHIP OF PORTAGE	County HOUGHTON
Audit Date 12/31/04	Opinion Date 6/27/05	Date Accountant Report Submitted to State: 6/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

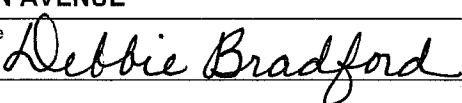
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) BRUCE A. RUKKILA, CPA, PC			
Street Address 310 SHELDEN AVENUE	City HOUGHTON	State MI	ZIP 49931
Accountant Signature 		Date 6/30/05	

CHARTER TOWNSHIP OF PORTAGE
HOUGHTON COUNTY, MICHIGAN

AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTAL FINANCIAL INFORMATION

December 31, 2004

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORTS	
Independent Auditor's Report	4
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	5
GENERAL PURPOSE FINANCIAL STATEMENTS:	
Combined Balance Sheets - All Fund Types and Account Groups	6
Combined Statements of Revenues, Expenditures, and Changes in Fund Balance All Governmental Fund Types	7
Combined Statements of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General and Special Revenue Funds	8
Combined Statements of Revenues, Expenses, and Changes in Retained Earnings All Proprietary Fund Types and Similar Trust Funds	9
Combined Statements of Cash Flows - All Proprietary Fund Types and Similar Trust Funds	10
Notes to Financial Statements	11
SUPPLEMENTAL FINANCIAL INFORMATION:	
<u>General Fund:</u>	
Detailed Statements of Revenues, Expenditures, and Changes in Fund Balance ..	27
<u>Special Revenue Funds:</u>	
Combining Balance Sheets	31
Combining Statements of Revenues, Expenditures, and Changes in Fund Balance	32
Detailed Statements of Revenues, Expenditures, and Changes in Fund Balance:	
Fire Protection Fund	33
Cemetery Operating Fund	34
Liquor Law Enforcement Fund	35

TABLE OF CONTENTS
(Continued)

SUPPLEMENTAL FINANCIAL INFORMATION: (Continued)

Enterprise Funds:

Combining Balance Sheets - All Enterprise Funds	36
Combining Statements of Revenues, Expenses, and Changes in Retained Earnings - All Enterprise Funds	37
Combining Statements of Cash Flows - All Enterprise Funds	38
Detailed Statements of Revenues, Expenses, and Changes in Retained Earnings:	
Sewer Fund	39
Water Fund - Portage	40
Water Fund - Dakota Heights	41
Water Fund - Woodland Road	42

Fiduciary Fund Types:

Trust and Agency Fund Statement of Changes in Assets and Liabilities	43
---	----

General Long-Term Debt Account Group:

Statement of Long-Term Debt	44
-----------------------------------	----

LETTER OF COMMENTS AND RECOMMENDATIONS	45
---	-----------



Bruce A Rukkila, CPA, PC

Full Service Accounting Firm
for the Western Upper Peninsula

310 Sheldon Avenue • Houghton MI 49931
(906) 482-6601 • Fax: (906) 482-9046
e-mail: help@brucerukkila.com
www.bruцерukkila.com

INDEPENDENT AUDITOR'S REPORT

Honorable Supervisor and Board of Trustees
Charter Township of Portage
Houghton, Michigan

We have audited the accompanying general purpose financial statements of the Charter Township of Portage, as of and for the year ended December 31, 2004. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township has not adopted the reporting format of Government Accounting Standards Board Statement No. 34.

In our opinion, except for the effects on the general purpose financial statements of the omission described in the preceding paragraph, the dollar amount of which we have not determined, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Charter Township of Portage, as of December 31, 2004, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2005 on our consideration of the City of Hancock's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements listed in the table of contents are presented as supplemental information and are not a required part of the general purpose financial statements of the Charter Township of Portage. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, except for the effects on the financial statements of the omissions described previously, the dollar amount of which we have not determined, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Bruce A. Rukkila CPA, PC

Certified Public Accountants

June 27, 2005



Bruce A Rukkila, CPA, PC

Full Service Accounting Firm
for the Western Upper Peninsula

310 Sheldon Avenue • Houghton MI 49931
(906) 482-6601 • Fax: (906) 482-9046
e-mail: help@brucerukkila.com
www.bruцерukkila.com

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Supervisor and Board of Trustees
Charter Township of Portage
Houghton, Michigan

We have audited the financial statements of the Charter Township of Portage as of and for the year ended December 31, 2004, and have issued our report thereon dated June 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance:

As part of obtaining reasonable assurance about whether the Charter Township of Portage's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, a noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting:

In planning and performing our audit, we considered the Charter Township of Portage's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components do not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Bruce A. Rukkila, CPA, PC

Certified Public Accountants

June 27, 2005

CHARTER TOWNSHIP OF PORTAGE
COMBINED BALANCE SHEETS - ALL FUND TYPES AND ACCOUNT GROUPS

December 31, 2004

	Governmental Fund Types		Proprietary Fund Type		Fiduciary Fund Types			Account Groups			TOTALS (Memorandum Only)	
	General	Special Revenue	Enterprise	Non-expend-able Trust	Trust and Agency	General Fixed Assets	General Long-Term Obligations	2004	2003			
ASSETS AND OTHER DEBITS:												
Cash	\$ 349,466	\$ 87,175	\$ 145,372	\$ -	\$ 52,416	\$ -	\$ -	\$ 634,429	\$ 907,845			
Accounts receivable	-	-	17,085	3,308	-	-	-	20,393	23,507			
Taxes receivable	60,088	47,147	-	-	-	-	-	107,235	95,303			
Special assessments	-	-	173,849	-	-	-	-	173,849	177,733			
Inventory	-	-	27,145	-	-	-	-	27,145	26,001			
Due from other funds	257,510	13,427	5,599	-	-	-	-	276,536	304,375			
Prepaid expenses	29,278	6,255	3,472	-	-	-	-	39,005	23,767			
Restricted assets:												
Cash	-	-	91,499	196,969	-	-	-	288,468	275,829			
Investments	-	-	-	651,758	-	-	-	651,758	655,457			
Fixed assets	-	-	3,662,792	-	-	1,748,343	-	5,411,135	5,331,480			
Utility plant and equipment	-	-	124,452	-	-	-	-	124,452	124,452			
Accumulated depreciation	-	-	(1,514,503)	-	-	-	-	(1,514,503)	(1,428,035)			
Amount to be provided for retirement: of general long-term debt	-	-	-	-	-	-	-	89,564	38,199			
TOTAL ASSETS AND OTHER DEBITS												
\$	696,342	154,004	2,736,762	852,035	52,416	1,748,343	89,564	6,329,466	6,555,913			
LIABILITIES:												
Accounts payable	\$ 3,384	1,236	15,673	-	-	-	-	20,293	14,618			
Due to other funds	-	7,833	216,921	-	51,782	-	-	276,536	304,375			
Accrued vacation/sick pay	-	-	-	-	-	-	18,063	18,063	15,496			
Current maturities on bond payable	-	-	44,000	-	-	-	-	44,000	35,000			
Bonds payable - net of current maturities	-	-	627,000	-	-	-	-	627,000	671,000			
User deposits	-	-	16,547	-	-	-	-	16,547	16,447			
Lease payable	-	-	-	-	-	-	71,501	71,501	22,703			
Due to other governmental units	-	-	-	-	634	-	-	634	280,126			
Accrued expenses	3,546	1,254	1,053	-	-	-	-	5,853	3,478			
Deferred revenue	78,218	60,574	177,733	-	-	-	-	316,525	310,665			
TOTAL LIABILITIES												
	85,148	70,897	1,098,927	-	52,416	-	89,564	1,396,952	1,673,908			
FUND EQUITY AND OTHER CREDITS:												
Contributed capital	-	-	1,104,098	-	-	-	-	1,104,098	1,146,138			
Retained earnings	-	-	533,737	-	-	-	-	533,737	603,909			
Investment in general fixed assets	-	-	-	-	-	1,748,343	-	1,748,343	1,668,688			
Fund balance:												
Reserved	611,194	83,107	-	852,035	-	-	-	852,035	829,254			
Unreserved	-	-	-	-	-	-	-	694,301	634,016			
TOTAL FUND EQUITY AND OTHER CREDITS												
	611,194	83,107	1,637,835	852,035	-	1,748,343	-	4,932,513	4,882,005			
TOTAL LIABILITIES, FUND EQUITY AND OTHER CREDITS												
\$	696,342	154,004	2,736,762	852,035	52,416	1,748,343	89,564	6,329,466	6,555,913			

The accompanying notes to financial statements are an integral part of this statement

CHARTER TOWNSHIP OF PORTAGE
COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
Year Ended December 31, 2004

	Governmental Fund Types		Totals (Memorandum Only)	
	General	Special Revenue	2004	2003
REVENUES:				
Taxes	\$ 73,607	\$ 56,620	\$ 130,227	\$ 127,291
Federal	11,621	-	11,621	11,454
State	243,467	1,584	245,051	262,565
Charges for services	22,677	31,336	54,013	47,083
Interest	4,256	5,290	9,546	10,422
Other	29,564	16,708	46,272	31,494
TOTAL REVENUES	385,192	111,538	496,730	490,309
EXPENDITURES:				
Assessor	11,146	-	11,146	11,165
Supervisor	15,421	-	15,421	15,349
Clerk	19,593	-	19,593	19,338
Treasurer	28,783	-	28,783	29,903
Zoning and Planning	4,292	-	4,292	2,843
General Services	16,588	-	16,588	27,699
Township Board	4,492	-	4,492	4,630
Town Hall	16,057	-	16,057	16,015
Cemetery Operating	-	77,581	77,581	78,204
Other Activities	123,106	-	123,106	99,125
Recreation	9,263	-	9,263	7,434
Motor Vehicle Pool	38,959	-	38,959	46,206
Constable	3,335	-	3,335	2,940
Liquor Law Enforcement	-	2,318	2,318	2,290
Elections	8,667	-	8,667	572
Maintenance Buildings	14,206	-	14,206	15,190
Roads and Streets	3,845	-	3,845	75,024
Building Inspector	7,341	-	7,341	2,551
Sanitary Landfill	400	-	400	400
Fire Protection	-	52,721	52,721	61,350
TOTAL EXPENDITURES	325,494	132,620	458,114	518,228
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	59,698	(21,082)	38,616	(27,919)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	38,436	38,436	25,587
Transfer out	(16,767)	-	(16,767)	-
TOTAL OTHER FINANCING SOURCES (USES)	(16,767)	38,436	21,669	25,587
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	42,931	17,354	60,285	(2,332)
FUND BALANCE, BEGINNING OF YEAR	568,263	65,753	634,016	636,348
FUND BALANCE, END OF YEAR	\$ 611,194	\$ 83,107	\$ 694,301	\$ 634,012

The accompanying notes to financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF PORTAGE
COMBINED STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUNDS
Year Ended December 31, 2004

	General			Special Revenue		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
REVENUE						
Taxes	\$ 92,000	\$ 73,607	\$ (18,393)	\$ 56,000	\$ 56,620	\$ 620
Federal	-	11,621	11,621	-	-	-
State	240,000	243,467	3,467	1,900	1,584	(316)
Charges for services	-	22,677	22,677	40,000	31,336	(8,664)
Interest	5,000	4,256	(744)	-	5,290	5,290
Other	11,000	29,564	18,564	-	16,708	16,708
TOTAL REVENUES	348,000	385,192	37,192	97,900	111,538	13,638
EXPENDITURES:						
Assessor	12,000	11,146	854	-	-	-
Supervisor	17,000	15,421	1,579	-	-	-
Clerk	25,000	19,593	5,407	-	-	-
Treasurer	30,000	28,783	1,217	-	-	-
Zoning and Planning	4,000	4,292	(292)	-	-	-
General Services	37,000	16,588	20,412	-	-	-
Township Board	5,000	4,492	508	-	-	-
Town Hall	20,000	16,057	3,943	-	-	-
Cemetery Operating	-	-	-	65,000	77,581	(12,581)
Other Activities	130,000	123,106	6,894	-	-	-
Recreation	20,000	9,263	10,737	-	-	-
Motor Vehicle Pool	70,000	38,959	31,041	-	-	-
Constable	3,500	3,335	165	-	-	-
Liquor Law Enforcement	-	-	-	1,900	2,318	(418)
Elections	11,000	8,667	2,333	-	-	-
Maintenance Buildings	20,000	14,206	5,794	-	-	-
Roads and Streets	65,000	3,845	61,155	-	-	-
Building Inspector	8,000	7,341	659	-	-	-
Sanitary Landfill	-	400	(400)	-	-	-
Industrial Council	100,500	-	100,500	-	-	-
Fire Protection	-	-	-	126,000	52,721	73,279
TOTAL EXPENDITURES	578,000	325,494	252,506	192,900	132,620	60,280
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(230,000)	59,698	289,698	(95,000)	(21,082)	73,918
OTHER FINANCING SOURCES (USES):						
Transfer in	-	-	-	35,000	38,436	3,436
Transfer out	-	(16,767)	(16,767)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(16,767)	(16,767)	35,000	38,436	3,436
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (230,000)	42,931	272,931	\$ (60,000)	17,354	77,354
FUND BALANCE, BEGINNING OF YEAR		568,263			65,753	
FUND BALANCE(DEFICIT), END OF YEAR		\$ 611,194			\$ 83,107	

The accompanying notes to financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF PORTAGE
COMBINED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
Year Ended December 31, 2004

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)	
	Enterprise	Non- Expendable Trust	2004	2003
OPERATING REVENUES:				
Charges for services	\$ 295,099	\$ -	\$ 295,099	\$ 287,437
Parts, meters, hook-up fees	2,625	-	2,625	3,929
Other	5,759	24,500	30,259	15,758
TOTAL OPERATING REVENUES	303,483	24,500	327,983	307,124
EXPENSES:				
Salaries	34,022	-	34,022	41,414
Payroll taxes	3,922	-	3,922	5,094
Employee benefits	10,411	-	10,411	9,029
Supplies	4,014	-	4,014	10,609
Utilities	5,034	-	5,034	5,326
Insurance	4,234	-	4,234	3,638
Repairs and maintenance	3,535	-	3,535	2,379
Professional services	5,938	5,359	11,297	5,023
Depreciation	86,470	-	86,470	85,667
Water purchases	53,274	-	53,274	45,848
Sewage use charges	169,370	-	169,370	122,066
Miscellaneous	4,701	-	4,701	4,146
TOTAL EXPENSES	384,925	5,359	390,284	340,239
OPERATING INCOME(LOSS)	(81,442)	19,141	(62,301)	(33,115)
NON-OPERATING REVENUES (EXPENSES):				
Transfer out	-	(21,669)	(21,669)	(25,587)
Interest income	6,641	25,269	31,910	38,826
Dividend income	-	384	384	563
Capital (gains) & losses	-	(344)	(344)	473
Interest expense	(37,411)	-	(37,411)	(33,599)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(30,770)	3,640	(27,130)	(19,324)
NET INCOME(LOSS)	(112,212)	22,781	(89,431)	(52,439)
RETAINED EARNINGS, BEGINNING OF YEAR	603,909	829,254	1,433,163	1,443,562
ADJUSTMENTS TO FUND EQUITY:				
Depreciation on Contributed Capital	42,040	-	42,040	42,040
RETAINED EARNINGS, END OF YEAR	\$ 533,737	\$ 852,035	\$ 1,385,773	\$ 1,433,163

The accompanying notes to financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF PORTAGE
COMBINED STATEMENTS OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
Year Ended December 31, 2004

	Proprietary Fund Type	Fiduciary Fund Type Non- Expendable Trust	Totals (Memorandum Only)	
	Enterprise		2004	2003
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating Income (Loss)	\$ (81,442)	\$ 19,141	\$ (62,301)	\$ (33,115)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	86,470	0	86,470	85,667
(Increase) Decrease in accounts receivable	(163)	(894)	(1,057)	(143,416)
(Increase) Decrease in prepaid expenses	(65)	0	(65)	(1,090)
(Increase) Decrease in due from other governmental unit	0	0	0	0
(Increase) Decrease in due from other funds	4,476	0	4,476	(6,366)
(Increase) Decrease in inventory	(1,144)	0	(1,144)	(2,196)
Increase (Decrease) in accounts payable	5,989	0	5,989	(3,253)
Increase (Decrease) in due to other funds	(17,000)	0	(17,000)	(26,263)
Increase (Decrease) in user deposits	100	0	100	400
Increase (Decrease) in accrued expenses	66	0	66	(492)
Increase (Decrease) in current maturities	0	0	0	0
Increase (Decrease) in deferred revenue	(7,415)	0	(7,415)	149,541
NET CASH PROVIDED BY OPERATING ACTIVITIES	(10,128)	18,247	8,119	19,417
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Operating transfers out from other funds	0	(21,699)	(21,699)	(25,587)
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES	0	(21,699)	(21,699)	(25,587)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Bond proceeds	0	0	0	127,000
Reductions of long-term debt	(35,000)	0	(35,000)	(38,000)
Interest paid on long-term debt	(37,411)	0	(37,411)	(33,599)
Purchase of fixed assets	0	0	0	(75,910)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	(72,411)	0	(72,411)	(20,509)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale and maturities of investments	0	878,929	878,929	918,640
Purchase of investments	0	(875,575)	(875,575)	(920,474)
Interest on investments and deposits	6,641	25,300	31,941	38,826
Dividends on investments	0	384	384	563
NET CASH FLOWS FROM INVESTING ACTIVITIES	6,641	29,038	35,679	37,555
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	(75,898)	25,586	(50,312)	10,876
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	312,769	171,383	484,152	473,276
CASH AND RESTRICTED CASH, END OF YEAR	\$ 236,871	\$ 196,969	\$ 433,840	\$ 484,152

The accompanying notes to financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

The Charter Township of Portage is a Charter Township located in Houghton County, Michigan, and encompasses an area of 113.35 square miles. The Township operates under an elected Board of Trustees (seven members, including the Township Supervisor, Township Clerk, Township Treasurer, and four trustees) and provides services to a population of approximately 3,150 Township residents.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The accounting policies of the Charter Township of Portage conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies:

THE FINANCIAL REPORTING ENTITY

As required by generally accepted accounting principles, the financial statements of the Charter Township of Portage contain all of the Township's funds. There are no other governmental units within the Township that are controlled by or dependent upon the Township's Board of Trustees. Control by or dependence on the Township was determined on the basis of appointment of the governing body or governing authority budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the Township, obligation of the Township to finance any deficits that may occur, surplus funds, and scope of public service.

FUND ACCOUNTING

The accounts of the Township are organized on the basis of funds and account groups, each of which are considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent, and the means by which spending activities are controlled. The various funds are grouped in the financial statements into three broad fund types and four generic funds as follows:

GOVERNMENTAL FUND TYPES

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes. The Fire Protection, Cemetery Operating, and Liquor Law Enforcement Funds are special revenue type funds.

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPRIETARY FUND TYPES

Enterprise Funds - Enterprise Funds are used to account for operations, (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Water and Sewer Funds are enterprise type funds.

FIDUCIARY FUND TYPE

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Non-expendable Trust Funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned and their expenses are recognized when they are incurred. Non-expendable Trust Funds are reported in the financial statements as a Fiduciary Fund Type.

FIXED ASSETS AND LONG-TERM LIABILITIES

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets (expendable available financial resources) and current liabilities (those expected to be liquidated with expendable financial resources) are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. A public domain's ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized along with other general fixed assets. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The General Fixed Assets Account Group and the General Long-Term Debt Account Group are not "funds." Their purpose is related only to the measurement of financial position. They are not involved with measurement of results of operations.

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All proprietary funds are accounted for on a cost of a services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Operating statements of proprietary fund types present increases (revenues) and decreases (expenses) in net total assets.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets. Depreciation has been provided using the straight-line method and the following estimated useful lives:

Water System	30-50 years
Sewer System	40 years
Machinery and Equipment	5-10 years

BASIS OF ACCOUNTING

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds, expendable trust funds, and agency funds are accounted for using the modified accrual basis. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Significant revenues susceptible to accrual include payments in lieu of taxes, state and federal sources, and intergovernmental revenues. Other revenue sources such as licenses, permits, charge for services, sales, fees, fines, rentals, and others are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are not accrued in the governmental fund types and Expendable Trust and Agency Funds.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred with certain exceptions such as interest on long-term debt which is generally recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting. Under the accrual basis, revenues are recognized when they are earned, and expenses are recognized when incurred.

The Trust and Agency Fund is accounted for on the basis of cash receipts and cash disbursements.

BUDGETARY DATA

The Township follows these procedures in establishing the budgetary data:

- a. Each October, the Township Supervisor prepares a proposed operating budget for the fiscal year commencing the following January 1, and submits this proposed budget to the Township Board of Trustees at the regular October meeting.

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- b. The Township Board of Trustees reviews the proposed budget, which includes proposed expenditures and the means of financing them.
- c. Pursuant to the statute, the proposed budget as approved by the Board of Trustees, is submitted to the Township at a public hearing, at which time public comment is invited. The final budget is formally adopted at the next board meeting.
- d. The Board of Trustees reviews the budget quarterly during the fiscal year and makes formal amendments when appropriate.
- e. Budget appropriation's lapse at the end of the fiscal year.

ENCUMBRANCES

Encumbrances are defined as commitments related to unperformed contracts for goods and services. The Township does not record encumbrances in the normal course of operating its accounting system and none are recorded in the accompanying financial statements.

PROPERTY TAXES

Property taxes are levied on assessed values of property located in the Township and become an enforceable lien on the property. Assessed values are established annually (the first Monday in March) and equalized by the State. Township property taxes are levied on December 1, and are payable without a penalty through the following February 28. Property taxes are recognized as revenue in the year for which levied, in accordance with NCGA Interpretation 3 (Revenue Recognition - Property Taxes). Property taxes levied on December 1 and collected in December are recorded as deferred revenue on the General Fund and Fire Fund.

The Township collects its own property taxes, and also collects property taxes for the County, School District, and the Public Library within its jurisdiction. Collections and remittances of all property taxes are accounted for in the Trust and Agency Fund.

The 2003 taxable valuation of the Charter Township of Portage amounted to \$57,041,842 on which ad valorem taxes of \$73,703 were levied for Township operating purposes (1.2781 mills) and \$56,693 for Township fire protection (.9893 mills). These amounts are recorded as revenue and/or deferred revenue on the Township's records for the fiscal year ending December 31, 2004.

TOTAL COLUMNS ON COMBINED BALANCE SHEETS - ALL FUNDS

The total columns on the combined statements of this report are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation which requires that inter-fund eliminations be made in the aggregation of this data.

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND INVESTMENTS

For the purpose of the statement of cash flows, cash is defined as checking, money market, certificates of deposits, and savings accounts. Investments consist of the Perpetual Care Trust and are stated at cost, plus accrued interest.

INVENTORY

Inventory is valued at cost as determined on the first-in, first-out method for the Water Fund. Inventory consists of expendable supplies and materials which are accounted for under the consumption method and accordingly are recorded as expenditures when they are used.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B - CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other direct obligation of the United States, or any agency or instrumentality of the United States; United States Government or Federal Agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local governments in Michigan. Financial institutions eligible for deposits of public funds must maintain an office in Michigan.

The Township Board has designated four banks for the deposit of township funds. The Township Board in accordance with Public Act 196 of 1997 adopted an investment policy.

CASH DEPOSITS

Governmental Accounting Standards Board (GASB) Statement No. 3, requires reporting risk disclosures. At December 31, 2004, the book value of the Township's demand deposits, consisting primarily of certificates of deposit and other cash equivalents, was \$922,897 with a corresponding bank balance of \$1,164,824. Qualifying deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. Of the bank balance, approximately \$816,513, representing approximately 70% of the Township's deposits, was covered by Federal Depository Insurance. Michigan law does not require collateralization of government deposits, therefore, only the \$816,513 was insured and \$348,311 was neither insured nor collateralized.

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE B - CASH AND INVESTMENTS (Continued)

INVESTMENTS

The investment of the Township's perpetual care funds is governed by state statutes. In general, state statutes provide that the Township is authorized to invest its funds in certificates of deposits, savings accounts and deposit accounts in a bank which is a member of the Federal Deposit Insurance Corporation. In addition, it may also invest in bonds, securities and other obligations of the United States in which the principal and interest are fully guaranteed by the United States, and investments in commercial paper rated prime at the time of purchase and which matures not more than 270 days after the date of purchase.

Investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

1. Insured or registered, or securities held by the entity or its agent in the entity's name.
2. Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the entity's name.
3. Uninsured and unregistered, with securities held by the counter-party or by its trust department or agent but not in the entity's name.

At December 31, 2004, the Township's investments were as follows:

	<u>Categories</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash Equivalents	\$ 0	\$ 28,365	\$ 0	\$ 28,365	\$ 28,365
U.S. Government Securities	0	623,393	0	623,393	618,021
Total	<u>\$ 0</u>	<u>\$ 651,758</u>	<u>\$ 0</u>	<u>\$ 651,758</u>	<u>\$ 646,386</u>

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE C - INTER-FUND RECEIVABLES AND PAYABLES

The amounts of inter-fund receivables and payables at December 31, 2004 are as follows:

<u>Fund</u>	<u>Inter-fund Receivable</u>	<u>Fund</u>	<u>Inter-fund Payable</u>
General	\$ 257,510	Cemetery Fund	\$ 7,833
		Sewer Fund	158,825
		Portage Water Fund	50,615
		Dakota Water Fund	7,481
		Tax Collection Fund	<u>32,756</u>
SUBTOTAL	<u>257,510</u>	SUBTOTAL	<u>257,510</u>
Fire Protection	13,427	Tax Collection Fund	13,427
Portage Water Fund	3,805	Tax Collection Fund	3,805
Woodland Water Fund	<u>1,794</u>	Tax Collection Fund	<u>1,794</u>
TOTALS	<u>\$ 276,536</u>	TOTALS	<u>\$ 276,536</u>

NOTE D - PROPERTY, PLANT, AND EQUIPMENT

A summary of the changes in the General Fixed Assets Account Group is as follows:

	<u>Balance 12/31/02</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Balance 12/31/03</u>
Land	\$ 578,659	\$ 0	\$ 0	\$ 578,659
Buildings	485,043	0	0	485,043
Vehicles	350,036	14,255	5,000	359,291
Machinery	85,976	0	0	85,976
Equipment	127,162	70,400	0	197,562
Other Equipment	<u>41,812</u>	<u>0</u>	<u>0</u>	<u>41,812</u>
	<u>\$ 1,668,688</u>	<u>\$ 84,655</u>	<u>\$ 5,000</u>	<u>\$ 1,748,343</u>

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE E - WATER AND SEWER FUND FIXED ASSETS

Changes in the Water and Sewer Funds Fixed Assets in 2004 are as follows:

	Balance 12/31/03	Additions	Subtractions	Balance 12/31/04
Sewer Fund	\$ 1,410,682	\$ 0	\$ 0	\$ 1,410,682
Portage Water Fund	1,578,152	0	0	1,578,152
Dakota Heights Water Fund	673,958	0	0	673,958
Woodland Water Fund	124,452	0	0	124,452
	<u>\$ 3,787,244</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,787,244</u>

NOTE F - ACCUMULATED UNPAID VACATION AND SICK LEAVE

Township employees accumulate vacation days based on 160 hours of work. The maximum vacation accrual is thirty (30) days. Vacation days are earned on an annual basis at the following rate, per every 160 hours worked:

<u>Years of Employment</u>	<u>Vacation Days</u>
One year	½
Two through seven	1
Eight through ten	1 ¼
Eleven or more	1 ½

Township employees accumulate sick leave days monthly at a rate of one-half (½) day for each two weeks of employment. The maximum sick leave accrual is twenty-four (24) days.

Accumulated unpaid vacation and sick leave at December 31, 2004 and 2003 were \$15,496 and \$15,419, respectively.

NOTE G - LONG-TERM DEBT

Portage Water Bonds

Water System revenue bonds were issued in 1986 in the amount of \$520,000 for the purpose of acquiring and constructing additions and improvements to the Township Water distribution system. The bonds are self-liquidating and are not general obligations of the Township, but are payable both as to principal and interest solely from the revenues of the Water Supply and Distribution System. The bonds bear an interest rate not to exceed 7.25% per annum.

The bonds are subject to redemption prior to maturity, in inverse order, at the option of the Township, on or after January 1, 1986. The payment schedule for the bonds is as follows:

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE G - LONG-TERM DEBT (Continued)

WATER SUPPLY & DISTRIBUTION SYSTEM REVENUE BONDS

December 31, 2004				
Year	January 1	July 1		Total
	Interest	Interest	Principal	
2005	\$ 10,290	\$ 10,290	\$ 19,000	\$ 39,580
2006	9,708	9,708	20,000	39,416
2007	9,096	9,096	21,000	39,192
2008	8,452	8,453	23,000	39,905
2009	7,748	7,748	25,000	40,496
2010	6,982	6,983	26,000	39,965
2011	6,186	6,186	28,000	40,372
2012	5,329	5,329	30,000	40,658
2013	4,410	4,410	32,000	40,820
2014	3,430	3,430	35,000	41,860
2015	2,358	2,358	37,000	41,716
2016	1,225	1,225	40,000	42,450
TOTALS	<u>\$ 75,214</u>	<u>\$ 75,216</u>	<u>\$ 336,000</u>	<u>\$ 486,430</u>

Special assessment bonds were issued in 1986 in the amount of \$135,000 for the purpose of defraying part of the cost of water supply and distribution system improvements. The bonds are being repaid from collections on certain special assessment rolls. In addition, the Township has pledged its full faith and credit for repayment of the bonds. The bonds bear an interest rate not to exceed 6.125% per annum.

Bonds maturing after July 1, 1987 are subject to redemption prior to maturity, in inverse order, at the option of the Township on any interest payment date after January 1, 1986. The payment schedule for the bonds is as follows:

WATER SPECIAL ASSESSMENT BONDS

December 31, 2004				
Year	January 1	July 1		Total
	Interest	Interest	Principal	
2005	\$ 1,439	\$ 1,439	\$ 5,000	\$ 7,878
2006	1,286	1,286	5,000	7,572
2007	1,133	1,133	5,000	7,266
2008	980	980	5,000	6,960
2009	827	827	4,000	5,654
2010	705	704	5,000	6,409
2011	92	92	3,000	3,184
TOTALS	<u>\$ 6,462</u>	<u>\$ 6,461</u>	<u>\$ 32,000</u>	<u>\$ 44,923</u>

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE G - LONG-TERM DEBT (Continued)

Dakota Heights Water Fund

Water Supply System Revenue Bonds, Series 2000 were issued on September 12, 2000 in the amount of \$196,000 for the purpose of acquiring and constructing additions and improvements to the Township Water distribution system. The bonds are self-liquidating and are not general obligations of the Township, but are payable both as to principal and interest solely from the revenues of the Water Supply and Distribution System. The bonds bear an interest rate not to exceed 4.50% per annum. The payment schedule for the bonds is as follows:

2000 WATER SUPPLY & DISTRIBUTION SYSTEM REVENUE BONDS

December 31, 2004

<u>Year</u>	<u>February 1</u>	<u>August 1</u>		<u>Total</u>
	<u>Interest</u>	<u>Interest</u>	<u>Principal</u>	
2005	\$ 4,185	\$ 4,185	\$ 3,000	\$ 11,370
2006	4,118	4,118	3,000	11,236
2007	4,050	4,050	3,000	11,100
2008	3,982	3,983	3,000	10,965
2009	3,915	3,915	3,000	10,830
2010	3,847	3,848	3,000	10,695
2011	3,780	3,780	3,000	10,560
2012	3,712	3,713	3,000	10,425
2013	3,645	3,645	3,000	10,290
2014	3,577	3,578	3,000	10,155
2015	3,510	3,510	3,000	10,020
2016	3,442	3,443	3,000	9,885
2017	3,375	3,375	4,000	10,750
2018-2022	15,525	15,525	20,000	51,050
2023-2027	13,050	13,050	26,000	52,100
2028-2032	9,878	9,878	32,000	51,756
2033-2037	5,940	5,940	40,000	51,880
2038-2040	1,283	1,283	28,000	30,566
TOTALS	<u>\$ 94,814</u>	<u>\$ 94,819</u>	<u>\$ 186,000</u>	<u>\$ 375,633</u>

Pilgrim Estates (Woodland Water Fund)

On May 1, 2003, the Township issued \$127,000 of general obligation - limited tax bonds for the purpose of paying all or part of the cost of certain capital improvements in the Pilgrim Estates area.

The bond issue or \$5,000 portions of the bond is subject to redemption at the option of the Township in whole or in part, in such order as determined by the Township, on any interest payment date on or after March 1, 2004, at par and accrued interest to the date fixed for redemption.

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE G - LONG-TERM DEBT (Continued)

The bond maturing on March 1, 2011 (the "Term Bond") is subject to mandatory redemption in part, by lot, at par, plus accrued interest on the date fixed for redemption without premium on March 1 of each of the years and in the principal amounts set forth in the debt schedule as follows:

2003 GENERAL OBLIGATION LIMITED TAX BOND

	December 31, 2004		
	March 1		
<u>Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005	\$ 4,001	\$ 17,000	\$ 21,001
2006	3,420	17,000	20,420
2007	2,839	17,000	19,839
2008	2,257	17,000	19,257
2009	1,676	17,000	18,676
2010	1,094	17,000	18,094
2011	513	15,000	15,513
TOTALS	<u>\$ 15,800</u>	<u>\$ 117,000</u>	<u>\$ 132,800</u>

Capital Lease Agreements

On August 2, 1999, the Township entered into a municipal lease-purchase agreement with Government Capital Corporation in the amount of \$49,900 for a 1989 Ford 4X4 Pumper. This lease has an annual percentage rate of 6.79% and fixed payments will be made annually which will include interest. The lease with Government Capital Corporation will expire April 1, 2006, at which time the Township will legally own the pumper.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 7,459	\$ 1,591	\$ 9,050
2006	7,262	510	7,772
TOTALS	<u>\$ 14,721</u>	<u>\$ 2,101</u>	<u>\$ 16,822</u>

On December 22, 2004, the Township entered into a municipal lease-purchase agreement with Ford Motor Credit Company in the amount of \$70,750 for a 2004 Sterling 660 Dump Truck. This lease has an annual percentage rate of 5% and fixed payments will be made annually which will include interest. The lease with Government Capital Corporation will expire April 1, 2006, at which time the Township will legally own the pumper.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 14,080	\$ 1,484	\$ 15,564
2006	14,080	1,483	15,563
2007	14,080	1,484	15,564
2008	14,080	1,483	15,563
TOTALS	<u>\$ 56,320</u>	<u>\$ 5,934</u>	<u>\$ 62,254</u>

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE G - LONG-TERM DEBT (Continued)

The following is a summary of the changes in long-term debt principal for the year ended December 31, 2004:

	Balance 12/31/02	Additions	Reductions	Balance 12/31/03
<i>Enterprise</i>				
Portage Water Fund:				
Water Supply Bond	\$ 353,000	\$ 0	\$ 17,000	\$ 336,000
Special Assessment	37,000	0	5,000	32,000
Dakota Heights Water Fund	189,000	0	3,000	186,000
Woodland Water Fund	127,000	0	10,000	117,000
Sub-Total	<u>706,000</u>	<u>0</u>	<u>35,000</u>	<u>671,000</u>
<i>General Fund</i>				
Dump Truck	0	70,400	14,150	56,250
<i>Special Revenue</i>				
Fire Protection Fund	22,703	0	7,452	15,251
Sub-Total	<u>22,703</u>	<u>70,400</u>	<u>21,602</u>	<u>71,501</u>
TOTALS	<u>\$ 728,703</u>	<u>\$ 70,400</u>	<u>\$ 56,602</u>	<u>\$ 742,501</u>

SUMMARY SCHEDULE OF LONG-TERM DEBT

	December 31, 2004		
Year	Interest	Principal	Total
2005	\$ 37,313	\$ 65,534	\$ 102,847
2006	36,228	66,337	102,565
2007	33,881	60,605	94,486
2008	30,570	62,025	92,595
2009	26,656	49,000	75,656
2010	24,163	51,000	75,163
2011	20,629	49,000	69,629
2012	18,083	33,000	51,083
2013	16,110	35,000	51,110
2014	14,015	38,000	52,015
2015	11,736	40,000	51,736
2016	9,335	43,000	52,335
2017	6,750	4,000	10,750
2018-2022	31,050	20,000	51,050
2023-2027	26,100	26,000	52,100
2028-2032	19,756	32,000	51,756
2033-2037	11,880	40,000	51,880
2038-2040	2,566	28,000	30,566
TOTALS	<u>\$ 376,821</u>	<u>\$ 742,501</u>	<u>\$ 1,119,322</u>

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE H - BOND PAYMENT AND RESERVE REQUIREMENTS

PORTAGE WATER FUND

Bond and Interest Redemption Account

The 1986 Water Fund System Improvement Bonds requires that the Township set aside each quarter on or after April 1, an amount not less than 1/2 of the amount of interest due on the next interest payment and 1/4 of the amount of principal due on the next principal payment date. The Township's Bond and Interest Redemption Account balance at December 31, 2004 was \$30,290. This amount is \$25,862 short of compliance with bond requirements.

Bond Reserve Account

The 1986 Water Fund System Improvement Bonds require that the Township establish a bond reserve account to be used for payment on the bonds in the event of default. At December 31, 2004, there was \$54,880 in the Bond Reserve account which is in compliance with bond requirements.

DAKOTA HEIGHTS WATER FUND

Bond and Interest Redemption Account

Water Supply System Revenue Bonds, Series 2000 requires that the Township set aside each quarter on or after April 1, an amount not less than 1/2 of the amount of interest due on the next interest payment and 1/4 of the amount of principal due on the next principal payment date. The Township's Bond and Interest Redemption Account balance at December 31, 2004 was \$9,191, which is in compliance with bond requirements.

Bond Reserve Account

Water Supply System Revenue Bonds, Series 2000 requires that the Township deposit \$275 per quarter into a bond reserve account to be used for payment on the bonds in the event of default. The Township's Bond Reserve Account balance at December 31, 2004 was \$4,675. This amount is \$675 short of compliance with bond requirements.

Repair, Replacement, and Improvement Account

Water Supply System Revenue Bonds, Series 2000 requires that the Township deposit into a repair, replacement, and improvement account (RRI) at least \$2,100 per quarter, less the amount, if any, deposited in the Bond Reserve Account. The Township's RRI Account balance at December 31, 2004 was \$19,000, which is \$18,800 short of compliance with bond requirements.

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE I - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township maintained four Enterprise Funds which provided water and sewer services. Segment information for the year ended December 31, 2004 is as follows:

	<u>Sewer</u>	<u>Portage Water</u>	<u>Dakota Water</u>	<u>Woodland Water</u>
Operating Revenues	\$123,443	\$112,446	\$21,795	\$45,799
Depreciation	\$35,601	\$30,976	\$17,059	\$2,834
Operating Income (Loss)	(\$121,022)	\$14,490	\$1,644	\$23,446
Non-operating Revenue (Expense)	\$1,381	(\$18,762)	(\$8,347)	(\$5,042)
Net Income (Loss)	(\$119,641)	(\$4,272)	(\$6,703)	\$18,404
Property, Plant, and Equipment:				
Additions	\$0	\$0	\$0	\$0
Net Working Capital (Deficit)	(\$136,739)	\$63,253	(\$8,477)	\$46,086
Total Assets	\$578,512	\$1,172,265	\$652,881	\$333,104
Total Equity	\$410,009	\$707,694	\$454,798	\$65,334

NOTE J - DEFERRED REVENUE

Deferred revenues are those where asset recognition criteria has been met, but for which revenue recognition criteria have not been met. The following schedule details deferred revenue as of December 31, 2004:

<u>Fund</u>	<u>Property Taxes</u>	<u>Special Assessments</u>	<u>Total</u>
General Fund	\$ 78,218	\$ 0	\$ 78,218
Special Revenue:			
Fire Protection Fund	60,574	0	60,574
Enterprise:			
Portage Water Fund	0	30,613	30,613
Woodland Water Fund	0	147,120	147,120
TOTALS	<u>\$ 138,792</u>	<u>\$ 177,733</u>	<u>\$ 316,525</u>

NOTE K - DEFINED CONTRIBUTION PLAN

The Township is a member of the Manulife Defined Contribution Pension Plan for Michigan Township Employees and provides pension benefits for all of its eligible employees through this plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Full-time and seasonal employees are eligible to participate from their date of employment. The Township policy requires that the Township contribute an amount equal to 5% of the employee's compensation. No contribution is required by any employee, although an employee may contribute. Township contributions for each employee and allocated to the employee's account are fully vested. Any amount contributed voluntarily by the employee under the plan, plus any earnings, are fully vested at the time of the contribution or crediting of investment earnings.

CHARTER TOWNSHIP OF PORTAGE
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE K - DEFINED CONTRIBUTION PLAN (Continued)

The Township's total payroll in 2004 was \$195,750. The Township's contributions were calculated using the eligible wage amount of \$151,301. The Township made the required 5% contribution amounting to \$7,565 which included a portion for past service of certain current employees.

NOTE L - BUDGET OVER EXPENDITURES

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the activity level.

During the year ended December 31, 2004, the Township incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variances</u>
General Fund:			
Zoning and Planning	\$4,000	\$4,292	(\$292)
Sanitary Landfill	\$0	\$400	(\$400)
Cemetery Fund	\$65,000	\$77,581	(\$12,581)
Liquor Law Enforcement Fund	\$1,900	\$2,318	(\$418)

NOTE N - RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township continues to carry commercial insurance for property, liability, wrongful acts, crime inland marine, and other risks of loss including worker's compensation and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

SUPPLEMENTAL FINANCIAL INFORMATION

CHARTER TOWNSHIP OF PORTAGE
GENERAL FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
Years Ended December 31, 2004 and 2003

	2004	2003
REVENUES:		
TAXES:		
Property tax	\$ 73,607	\$ 71,947
FEDERAL:		
Payments in lieu of tax (PILT)	11,621	11,454
STATE:		
State shared revenues	243,467	261,034
CHARGES FOR SERVICES:		
Administration and collection fees	22,677	21,796
INTEREST	4,256	9,294
OTHER:		
Administration and collection fees	7,995	9,133
Land division	1,700	1,200
Easement fees	7,148	3,661
Miscellaneous	2,288	3,387
Recreation	-	100
Building and electrical permits	7,563	5,912
Tower fees	2,870	3,465
Total other	29,564	26,858
TOTAL REVENUES	385,192	402,383
EXPENDITURES:		
ASSESSOR:		
Tax supplies	\$ 1,085	\$ 2,045
Contract labor	9,120	9,120
Miscellaneous	941	-
Total assessor	11,146	11,165
SUPERVISOR:		
Salaries	14,712	14,712
Supplies	18	37
Travel expenses	670	600
Miscellaneous	21	-
Total supervisor	15,421	15,349
CLERK:		
Salaries	19,064	19,064
Office supplies	9	-
Equipment	70	-
Miscellaneous	450	274
Total clerk	19,593	19,338

CHARTER TOWNSHIP OF PORTAGE
GENERAL FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - CONTINUED
Years Ended December 31, 2004 and 2003

	2004	2003
TREASURER:		
Salaries	18,545	18,409
Supplies	81	90
Tax supplies	9,684	10,538
Miscellaneous	473	866
	<hr/>	<hr/>
Total treasurer	28,783	29,903
	<hr/>	<hr/>
ZONING AND PLANNING:		
Salaries	1,666	1,730
Supplies	388	456
Printing and publishing	1,163	332
Travel expenses	150	150
Miscellaneous	925	175
	<hr/>	<hr/>
Total zoning and planning	4,292	2,843
	<hr/>	<hr/>
GENERAL SERVICES:		
Professional services	10,954	10,922
Tower rent and expenses	1,469	1,447
Miscellaneous	4,165	15,330
	<hr/>	<hr/>
Total general services	16,588	27,699
	<hr/>	<hr/>
TOWNSHIP BOARD:		
Salaries	4,120	3,610
Contributions	745	845
Miscellaneous	(373)	175
	<hr/>	<hr/>
Total township board	4,492	4,630
	<hr/>	<hr/>
TOWN HALL:		
Salaries	6,397	7,402
Supplies	1,597	1,524
Utilities	5,190	4,501
Repairs and maintenance	711	721
Miscellaneous	2,162	1,867
	<hr/>	<hr/>
Total town hall	16,057	16,015
	<hr/>	<hr/>
OTHER ACTIVITIES:		
Salaries	38,130	30,977
Payroll taxes	12,999	11,424
Employee benefits	22,628	19,268
Printing and publishing	1,051	821
Insurance	23,416	14,816
Board of Review	441	475
Street lights	11,386	10,661
Miscellaneous	13,055	10,683
	<hr/>	<hr/>
Total other activities	123,106	99,125
	<hr/>	<hr/>

CHARTER TOWNSHIP OF PORTAGE
GENERAL FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - CONTINUED
Years Ended December 31, 2004 and 2003

	2004	2003
RECREATION:		
Salaries	3,624	2,748
Supplies	864	266
Utilities	1,255	1,274
Printing and publishing	-	47
Repairs and maintenance	2,920	2,809
Miscellaneous	600	290
Total recreation	9,263	7,434
MOTOR VEHICLE POOL:		
Salaries	6,622	9,082
Supplies	1,589	2,471
Repairs and maintenance	23,347	28,642
Fuel	6,725	6,011
Miscellaneous	676	-
Total motor vehicle pool	38,959	46,206
CONSTABLE:		
Salaries	2,940	2,940
Insurance	395	-
Total constable	3,335	2,940
ELECTIONS:		
Salaries	1,054	79
Supplies	888	234
Printing and publishing	254	-
Miscellaneous	2,736	259
Contract Labor	3,735	-
Total elections	8,667	572
MAINTENANCE BUILDING:		
Salaries	2,986	4,916
Supplies	4,595	4,486
Utilities	4,132	4,199
Repairs and maintenance	198	(298)
Miscellaneous	2,295	1,887
Total maintenance building	14,206	15,190
ROADS AND REPAIRS:		
Salaries	1,638	438
Supplies	340	-
Street signs	1,342	-
Paving roads	-	58,509
Oiling roads	-	11,760
Miscellaneous	525	4,317
Total roads and repairs	3,845	75,024

CHARTER TOWNSHIP OF PORTAGE
GENERAL FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - CONTINUED
Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
BUILDING INSPECTOR:		
Fees	6,793	2,327
Travel expenses	548	224
	<u>7,341</u>	<u>2,551</u>
Total building inspector		
SANITARY LANDFILL:		
Insurance	400	400
	<u>325,494</u>	<u>376,384</u>
TOTAL EXPENDITURES		
	<u>59,698</u>	<u>25,999</u>
EXCESS OF REVENUES OVER EXPENDITURES		
OTHER FINANCING USES:		
Transfer out	16,767	-
	<u>42,931</u>	<u>25,999</u>
EXCESS OF REVENUES AND OVER EXPENDITURES AND OTHER FINANCING USES		
	<u>568,263</u>	<u>542,264</u>
FUND BALANCE, BEGINNING OF YEAR		
	<u>\$ 611,194</u>	<u>\$ 568,263</u>
FUND BALANCE, END OF YEAR		

CHARTER TOWNSHIP OF PORTAGE
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEETS
December 31, 2004

	Fire Protection	Cemetery Operating	Liquor Law Enforcement	Total (Memorandum Only)	
				2004	2003
ASSETS:					
Cash	\$ 78,524	\$ 4,462	\$ 4,189	\$ 87,175	\$ 75,583
Taxes receivable	47,147	-	-	47,147	41,571
Due from other funds	13,427	-	-	13,427	13,004
Prepaid expenses	2,737	3,518	-	6,255	5,959
TOTAL ASSETS	<u>\$ 141,835</u>	<u>\$ 7,980</u>	<u>\$ 4,189</u>	<u>\$ 154,004</u>	<u>\$ 136,117</u>
LIABILITIES:					
Accounts payable	\$ 1,116	\$ 120	\$ -	\$ 1,236	\$ 1,190
Due to other funds	-	7,833	-	7,833	14,600
Accrued expenses	1,227	27	-	1,254	-
Deferred revenue	60,574	-	-	60,574	54,574
TOTAL LIABILITIES	<u>62,917</u>	<u>7,980</u>	<u>-</u>	<u>70,897</u>	<u>70,364</u>
FUND EQUITY:					
Fund balance	78,918	-	4,189	83,107	65,753
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 141,835</u>	<u>\$ 7,980</u>	<u>\$ 4,189</u>	<u>\$ 154,004</u>	<u>\$ 136,117</u>

CHARTER TOWNSHIP OF PORTAGE
SPECIAL REVENUE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Year Ended December 31, 2004

	Fire Protection	Cemetery Operating	Liquor Law Enforcement	Total (Memorandum Only)	
				2004	2003
REVENUES:					
Taxes	\$ 56,620	\$ -	\$ -	\$ 56,620	\$ 55,344
State	-	-	1,584	1,584	1,531
Charges for services	-	31,336	-	31,336	25,287
Interest	362	4,928	-	5,290	1,128
Other	2,778	13,930	-	16,708	4,636
TOTAL REVENUES	59,760	50,194	1,584	111,538	87,926
EXPENDITURES:					
Salaries	5,480	35,204	2,040	42,724	40,826
Payroll taxes	406	5,146	156	5,708	5,944
Employee benefits	-	21,456	122	21,578	17,440
Supplies	1,489	2,685	-	4,174	3,042
Utilities	10,453	4,711	-	15,164	17,110
Insurance	7,762	5,570	-	13,332	9,400
Repairs and maintenance	13,101	371	-	13,472	26,320
Contract labor	-	1,348	-	1,348	3,350
Fuel	1,482	25	-	1,507	1,539
Miscellaneous	3,497	1,065	-	4,562	7,822
Principal payments	9,051	-	-	9,051	6,490
Interest expense	-	-	-	-	2,561
TOTAL EXPENDITURES	52,721	77,581	2,318	132,620	141,844
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,039	(27,387)	(734)	(21,082)	(53,918)
OTHER FINANCING SOURCES (USES):					
Transfer in	-	38,436	-	38,436	25,587
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	7,039	11,049	(734)	17,354	(28,331)
FUND BALANCE(DEFICIT), BEGINNING OF YEAR	71,879	(11,049)	4,923	65,753	94,084
FUND BALANCE, END OF YEAR	\$ 78,918	\$ -	\$ 4,189	\$ 83,107	\$ 65,753

CHARTER TOWNSHIP OF PORTAGE
FIRE PROTECTION FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Years Ended December 31, 2004 and 2003

	2004	2003
REVENUES:		
Taxes	\$ 56,620	\$ 55,344
Interest	362	669
Other	2,778	670
	<hr/>	<hr/>
TOTAL REVENUES	59,760	56,683
	<hr/>	<hr/>
EXPENDITURES:		
Salaries	5,480	3,120
Payroll taxes	406	324
Supplies	1,489	1,668
Utilities	10,453	10,559
Insurance	7,762	3,823
Repairs and maintenance	13,101	25,171
Fuel	1,482	757
Miscellaneous	3,497	6,877
Principal payments	9,051	6,490
Interest expense	-	2,561
	<hr/>	<hr/>
TOTAL EXPENDITURES	52,721	61,350
	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,039	(4,667)
FUND BALANCE, BEGINNING OF YEAR	71,879	76,546
	<hr/>	<hr/>
FUND BALANCE, END OF YEAR	\$ 78,918	\$ 71,879
	<hr/> <hr/>	<hr/> <hr/>

CHARTER TOWNSHIP OF PORTAGE
CEMETERY OPERATING FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Years Ended December 31, 2004 and 2003

	2004	2003
REVENUES:		
Charges for services	\$ 31,336	\$ 25,287
Interest	4,928	459
Other	13,930	3,966
	<hr/>	<hr/>
TOTAL REVENUES	50,194	29,712
	<hr/>	<hr/>
EXPENDITURES:		
Salaries	35,204	35,666
Payroll taxes	5,146	5,464
Employee benefits	21,456	17,440
Supplies	2,685	1,280
Utilities	4,711	6,551
Insurance	5,570	5,577
Repairs and maintenance	371	1,149
Contract labor	1,348	3,350
Fuel	25	782
Miscellaneous	1,065	945
	<hr/>	<hr/>
TOTAL EXPENDITURES	77,581	78,204
	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(27,387)	(48,492)
OTHER FINANCING SOURCES (USES):		
Transfer in	38,436	25,587
	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	11,049	(22,905)
FUND BALANCE(DEFICIT), BEGINNING OF YEAR	(11,049)	11,856
	<hr/>	<hr/>
FUND BALANCE(DEFICIT), END OF YEAR	\$ -	\$ (11,049)
	<hr/> <hr/>	<hr/> <hr/>

CHARTER TOWNSHIP OF PORTAGE
LIQUOR LAW ENFORCEMENT FUND
DETAILED STATEMENTS OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
Years Ended December 31, 2004 and 2003

	2004	2003
REVENUES:		
State	\$ 1,584	\$ 1,531
EXPENDITURES:		
Salaries	2,040	2,040
Payroll taxes	156	156
Employee benefits	122	-
Supplies	-	94
TOTAL EXPENDITURES	2,318	2,290
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(734)	(759)
FUND BALANCE, BEGINNING OF YEAR	4,923	5,682
FUND BALANCE, END OF YEAR	\$ 4,189	\$ 4,923

CHARTER TOWNSHIP OF PORTAGE
ENTERPRISE FUNDS
COMBINING BALANCE SHEETS - ALL ENTERPRISE FUNDS
Year Ended December 31, 2004

	Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	TOTAL (Memorandum Only)	
					2004	2003
ASSETS:						
Current assets:						
Cash	\$ (42,199)	\$ 115,570	\$ 5,838	\$ 66,163	\$ 145,372	\$ 208,323
Accounts receivable:						
Charges for services	8,699	7,045	768	573	17,085	13,038
Special assessment	-	28,523	-	145,326	173,849	177,733
Total accounts receivable	8,699	35,568	768	145,899	190,934	190,771
Inventory	-	27,145	-	-	27,145	26,001
Due from other funds	-	3,805	-	1,794	5,599	10,075
Prepaid expenses	1,736	1,736	-	-	3,472	3,408
Total current assets	(31,764)	183,824	6,606	213,856	372,522	438,578
Restricted assets:						
Cash	-	59,308	32,191	-	91,499	92,924
Cash-escrow and debt	-	-	-	-	-	11,522
Total restricted assets	-	59,308	32,191	-	91,499	104,446
General fixed assets:						
Utility plant and equipment	1,410,682	1,578,152	673,958	124,452	3,787,244	3,787,244
Accumulated depreciation	(800,406)	(649,019)	(59,874)	(5,204)	(1,514,503)	(1,428,035)
Total general fixed assets	610,276	929,133	614,084	119,248	2,272,741	2,359,209
TOTAL ASSETS	\$ 578,512	\$ 1,172,265	\$ 652,881	\$ 333,104	\$ 2,736,762	\$ 2,902,233
LIABILITIES:						
Current liabilities:						
Accounts payable	\$ 9,207	\$ 3,345	\$ 167	\$ 2,954	\$ 15,673	\$ 9,684
Due to other funds	158,825	50,615	7,481	-	216,921	233,921
Current maturities on bond payable	-	24,000	3,000	17,000	44,000	35,000
User deposits	-	11,536	4,375	636	16,547	16,447
Accrued expenses	471	462	60	60	1,053	986
Deferred revenue	-	30,613	-	147,120	177,733	185,148
Total current liabilities	168,503	120,571	15,083	167,770	471,927	481,186
Long-term liabilities:						
Bonds payable - net of current maturities	-	344,000	183,000	100,000	627,000	671,000
TOTAL LIABILITIES	168,503	464,571	198,083	267,770	1,098,927	1,152,186
FUND EQUITY:						
Contributed capital	336,046	322,880	445,172	-	1,104,098	1,146,138
Retained earnings	73,963	384,814	9,626	65,334	533,737	603,909
TOTAL FUND EQUITY	410,009	707,694	454,798	65,334	1,637,835	1,750,047
TOTAL LIABILITIES AND FUND EQUITY	\$ 578,512	\$ 1,172,265	\$ 652,881	\$ 333,104	\$ 2,736,762	\$ 2,902,233

CHARTER TOWNSHIP OF PORTAGE
ENTERPRISE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN RETAINED EARNINGS - ALL ENTERPRISE FUNDS
Year Ended December 31, 2004

					TOTALS (Memorandum Only)	
	Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	2004	2003
OPERATING REVENUES:						
Charges for services	\$ 121,500	\$ 107,190	\$ 21,758	\$ 44,651	\$ 295,099	\$ 287,437
Parts, meters, hook-up fees	1,200	625	25	775	2,625	3,929
Other	743	4,631	12	373	5,759	4,258
TOTAL OPERATING REVENUES	123,443	112,446	21,795	45,799	303,483	295,624
EXPENSES:						
Salaries	15,919	15,914	681	1,508	34,022	41,414
Payroll taxes	1,870	1,838	98	116	3,922	5,094
Employee benefits	4,641	5,025	58	687	10,411	9,029
Supplies	1,006	2,506	212	290	4,014	10,609
Utilities	2,886	2,148	-	-	5,034	5,326
Insurance	1,942	2,292	-	-	4,234	3,638
Repairs and maintenance	3,499	36	-	-	3,535	2,379
Professional services	5,669	269	-	-	5,938	-
Depreciation	35,601	30,976	17,059	2,834	86,470	85,667
Water purchases	-	34,238	1,969	17,067	53,274	45,848
Sewage use charges	169,370	-	-	-	169,370	122,066
Miscellaneous	2,062	2,714	74	(149)	4,701	4,146
TOTAL EXPENSES	244,465	97,956	20,151	22,353	384,925	335,216
OPERATING INCOME (LOSS)	(121,022)	14,490	1,644	23,446	(81,442)	(39,592)
NON-OPERATING REVENUES (EXPENSES):						
Interest income	1,381	4,452	158	650	6,641	4,641
Interest expense	-	(23,214)	(8,505)	(5,692)	(37,411)	(33,599)
TOTAL NON-OPERATING REVENUES (EXPENSES)	1,381	(18,762)	(8,347)	(5,042)	(30,770)	(28,958)
NET INCOME (LOSS)	(119,641)	(4,272)	(6,703)	18,404	(112,212)	(68,550)
RETAINED EARNINGS, BEGINNING OF YEAR	171,914	378,996	6,069	46,930	603,909	630,419
ADJUSTMENTS TO FUND EQUITY:						
Depreciation on contributed capital	21,690	10,090	10,260	-	42,040	42,040
RETAINED EARNINGS, END OF YEAR	\$ 73,963	\$ 384,814	\$ 9,626	\$ 65,334	\$ 533,737	\$ 603,909

CHARTER TOWNSHIP OF PORTAGE
COMBINING STATEMENTS OF CASH FLOWS
ALL ENTERPRISE FUNDS
Year Ended December 31, 2004

	Sewer	Portage Water	Dakota Heights Water	Woodland Road Water	TOTALS (Memorandum Only)	
					2004	2003
RECONCILIATION OF OPERATING						
INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:						
Operating Income (Loss)	\$ (121,022)	\$ 14,490	\$ 1,644	\$ 23,446	\$ (81,442)	\$ (39,599)
Adjustments to Reconcile Operating						
Income to Net Cash Provided by Operating Activities:						
Depreciation	35,601	30,976	17,059	2,834	86,470	85,666
(Increase) Decrease in accounts receivable	(2,545)	977	(305)	1,710	(163)	(142,821)
(Increase) Decrease in prepaid expenses	(33)	(32)	0	0	(65)	(1,099)
(Increase) Decrease in due from other governmental unit	0	0	0	0	0	0
(Increase) Decrease in due from other funds	509	380	0	3,587	4,476	(6,366)
(Increase) Decrease in inventory	0	(1,144)	0	0	(1,144)	(2,199)
Increase (Decrease) in accounts payable	3,218	637	44	2,090	5,989	(3,259)
Increase (Decrease) in due to other funds	(15,000)	(2,000)	0	0	(17,000)	(26,266)
Increase (Decrease) in user deposits	0	100	0	0	100	400
Increase (Decrease) in accrued expenses	(10)	84	4	(12)	66	(499)
Increase (Decrease) in current maturities	0	0	0	0	0	0
Increase (Decrease) in deferred revenue	0	(2,035)	0	(5,380)	(7,415)	149,541
NET CASH PROVIDED BY OPERATING ACTIVITIES	(99,282)	42,433	18,446	28,275	(10,128)	13,531
CASH FLOWS FROM CAPITAL AND RELATED						
FINANCING ACTIVITIES						
Bond proceeds	0	0	0	0	0	127,000
Reductions of long-term debt	0	(22,000)	(3,000)	(10,000)	(35,000)	(38,000)
Interest paid on long-term debt	0	(23,214)	(8,505)	(5,692)	(37,411)	(33,599)
Purchase of fixed assets	0	0	0	0	0	(75,911)
NET CASH FLOWS FROM CAPITAL AND RELATED						
FINANCING ACTIVITIES	0	(45,214)	(11,505)	(15,692)	(72,411)	(20,500)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest on investments and deposits	1,381	4,452	158	650	6,641	4,641
NET CASH FLOWS FROM INVESTING ACTIVITIES	1,381	4,452	158	650	6,641	4,641
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH	(97,901)	1,671	7,099	13,233	(75,898)	(2,330)
CASH AND RESTRICTED CASH, BEGINNING OF YEAR	55,702	173,207	30,930	52,930	312,769	315,100
CASH AND RESTRICTED CASH, END OF YEAR	\$ (42,199)	\$ 174,878	\$ 38,029	\$ 66,163	\$ 236,871	\$ 312,770

CHARTER TOWNSHIP OF PORTAGE
SEWER FUND
DETAILED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Years Ended December 31, 2004 and 2003

	2004	2003
OPERATING REVENUES:		
Charges for services	\$ 121,500	\$ 126,631
Parts, meters, hook-up fees	1,200	1,600
Other	743	283
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	123,443	128,514
	<hr/>	<hr/>
EXPENSES:		
Salaries	15,919	18,513
Payroll taxes	1,870	2,399
Employee benefits	4,641	4,157
Supplies	1,006	2,656
Utilities	2,886	3,299
Insurance	1,942	1,644
Repairs and maintenance	3,499	2,172
Professional services	5,669	-
Depreciation	35,601	35,601
Sewage use charges	169,370	122,066
Miscellaneous	2,062	1,250
	<hr/>	<hr/>
TOTAL EXPENSES	244,465	193,757
	<hr/>	<hr/>
OPERATING INCOME(LOSS)	(121,022)	(65,243)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	1,381	1,307
	<hr/>	<hr/>
NET INCOME(LOSS)	(119,641)	(63,936)
RETAINED EARNINGS, BEGINNING OF YEAR	171,914	214,160
ADJUSTMENTS TO FUND EQUITY:		
Depreciation on Contributed Capital	21,690	21,690
	<hr/>	<hr/>
RETAINED EARNINGS, END OF YEAR	\$ 73,963	\$ 171,914
	<hr/> <hr/>	<hr/> <hr/>

CHARTER TOWNSHIP OF PORTAGE
WATER FUND - PORTAGE
DETAILED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Years Ended December 31, 2004 and 2003

	2004	2003
OPERATING REVENUES:		
Charges for services	\$ 107,190	\$ 114,778
Parts, meters, hook-up fees	625	1,975
Other	4,631	3,969
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	112,446	120,722
	<hr/>	<hr/>
EXPENSES:		
Salaries	15,914	20,610
Payroll taxes	1,838	2,445
Employee benefits	5,025	4,653
Supplies	2,506	7,376
Utilities	2,148	2,027
Insurance	2,292	1,994
Repairs and maintenance	36	207
Professional services	269	-
Depreciation	30,976	30,636
Water purchases	34,238	31,350
Miscellaneous	2,714	1,871
	<hr/>	<hr/>
TOTAL EXPENSES	97,956	103,169
	<hr/>	<hr/>
OPERATING INCOME	14,490	17,553
NON-OPERATING REVENUES (EXPENSES):		
Interest income:		
Interest income	2,540	2,863
Interest special assessment	1,912	86
	<hr/>	<hr/>
Total interest income	4,452	2,949
	<hr/>	<hr/>
Interest expense	(23,214)	(24,959)
	<hr/>	<hr/>
TOTAL NON-OPERATING REVENUES (EXPENSES)	(18,762)	(22,010)
	<hr/>	<hr/>
NET INCOME (LOSS)	(4,272)	(4,457)
RETAINED EARNINGS, BEGINNING OF YEAR	378,996	373,363
ADJUSTMENTS TO FUND EQUITY:		
Depreciation on Contributed Capital	10,090	10,090
	<hr/>	<hr/>
RETAINED EARNINGS, END OF YEAR	\$ 384,814	\$ 378,996
	<hr/> <hr/>	<hr/> <hr/>

CHARTER TOWNSHIP OF PORTAGE
WATER FUND - DAKOTA HEIGHTS
DETAILED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Years Ended December 31, 2004 and 2003

	2004	2003
OPERATING REVENUES:		
Charges for services	\$ 21,758	\$ 21,349
Parts, meters, hook-up fees	25	75
Other	12	6
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	21,795	21,430
	<hr/>	<hr/>
EXPENSES:		
Salaries	681	887
Payroll taxes	98	145
Employee benefits	58	37
Supplies	212	249
Depreciation	17,059	17,059
Water purchases	1,969	2,306
Miscellaneous	74	460
	<hr/>	<hr/>
TOTAL EXPENSES	20,151	21,143
	<hr/>	<hr/>
OPERATING INCOME	1,644	287
NON-OPERATING REVENUES (EXPENSES):		
Interest income	158	188
Interest expense	(8,505)	(8,640)
	<hr/>	<hr/>
TOTAL NON-OPERATING REVENUES (EXPENSES)	(8,347)	(8,452)
	<hr/>	<hr/>
NET INCOME(LOSS)	(6,703)	(8,165)
RETAINED EARNINGS, BEGINNING OF YEAR	6,069	3,974
ADJUSTMENTS TO FUND EQUITY:		
Depreciation on Contributed Capital	10,260	10,260
	<hr/>	<hr/>
RETAINED EARNINGS, END OF YEAR	\$ 9,626	\$ 6,069
	<hr/> <hr/>	<hr/> <hr/>

CHARTER TOWNSHIP OF PORTAGE
WATER FUND - WOODLAND ROAD
DETAILED STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS
Years Ended December 31, 2004 and 2003

	2004	2003
OPERATING REVENUES:		
Charges for services	\$ 44,651	\$ 24,679
Parts, meters, hook-up fees	775	279
Other	373	-
	<hr/>	<hr/>
TOTAL OPERATING REVENUES	45,799	24,958
	<hr/>	<hr/>
EXPENSES:		
Salaries	1,508	1,404
Payroll taxes	116	105
Employee benefits	687	182
Supplies	290	328
Depreciation	2,834	2,371
Water purchases	17,067	12,192
Miscellaneous	(149)	565
	<hr/>	<hr/>
TOTAL EXPENSES	22,353	17,147
	<hr/>	<hr/>
OPERATING INCOME	23,446	7,811
NON-OPERATING REVENUES (EXPENSES):		
Interest income	650	198
Interest expense	(5,692)	-
	<hr/>	<hr/>
TOTAL NON-OPERATING REVENUES (EXPENSES)	(5,042)	198
	<hr/>	<hr/>
NET INCOME	18,404	8,009
RETAINED EARNINGS, BEGINNING OF YEAR	46,930	38,921
	<hr/>	<hr/>
RETAINED EARNINGS, END OF YEAR	\$ 65,334	\$ 46,930
	<hr/> <hr/>	<hr/> <hr/>

CHARTER TOWNSHIP OF PORTAGE
TRUST AND AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended December 31, 2004

TAX COLLECTION FUND

	Balance 12/31/02	Additions	Deductions	Balance 12/31/03
ASSETS:				
Cash	\$ 335,980	\$ 4,427,299	\$ 4,710,863	\$ 52,416
TOTAL ASSETS	<u>\$ 335,980</u>	<u>\$ 4,427,299</u>	<u>\$ 4,710,863</u>	<u>\$ 52,416</u>
LIABILITIES:				
Due to other funds	\$ 55,853	\$ 162,714	\$ 166,785	\$ 51,782
Due to other governmental units	280,127	2,055,479	2,334,972	634
TOTAL LIABILITIES	<u>\$ 335,980</u>	<u>\$ 2,218,193</u>	<u>\$ 2,501,757</u>	<u>\$ 52,416</u>

CHARTER TOWNSHIP OF PORTAGE
GENERAL LONG-TERM DEBT ACCOUNT GROUP
STATEMENT OF LONG-TERM DEBT
December 31, 2004

AMOUNT TO BE PROVIDED FOR THE PAYMENT OF LONG-TERM DEBT:

Amounts to be provided by future tax levies and charges for services	<u>\$ 89,564</u>
TOTAL AMOUNTS AVAILABLE AND TO BE PROVIDED FOR PAYMENT OF LONG-TERM DEBT	<u>\$ 89,564</u>

LONG-TERM DEBT:

Accumulated and unpaid vacation/sick pay benefits	\$ 18,063
Lease payable	<u>71,501</u>
TOTAL LONG-TERM DEBT PAYABLE	<u>\$ 89,564</u>



Bruce A Rukkila, CPA, PC

*Full-Service Accounting Firm
for the Western Upper Peninsula*

310 Sheldon Avenue • Houghton MI 49931
(906) 482-6601 • Fax: (906) 482-9046
e-mail: help@brucerukkila.com
www.bruцерukkila.com

LETTER OF COMMENTS AND RECOMMENDATIONS

Honorable Supervisor and Board of Trustees
Charter Township of Portage
Houghton, Michigan

We have audited the general purpose financial statements of the Charter Township of Portage, for the year ended December 31, 2004, and have issued our report thereon dated June 27, 2005. As part of our audit, we made a study and evaluation of the Township's internal control structure only to the extent we considered necessary as required by auditing standards generally accepted in the United States of America.

Under generally accepted auditing standards, the purpose of an evaluation of the internal control structure is to establish a basis for reliance on the system in determining the nature, timing and extent of other auditing procedures and to assist in planning and performing the audit. Our audit would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

The following suggestions are submitted to assist in improving procedures and controls.

Budget Over Expenditures

Comparing actual to budgeted expenditures shows that over expenditures have occurred. P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. Over expenditures occurred in the General Fund, Cemetery, and Liquor Law Enforcement Funds:

<u>Fund</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variances</u>
General Fund:			
Zoning and Planning	\$4,000	\$4,292	(\$292)
Sanitary Landfill	\$0	\$400	(\$400)
Cemetery Fund	\$65,000	\$77,581	(\$12,581)
Liquor Law Enforcement Fund	\$1,900	\$2,318	(\$418)

We recommend that timely revisions be made to the budget appropriations so that these over expenditures do not occur in the future.

Insured Deposits

We noted that approximately seventy percent (70%) of the Township's deposits are insured by the Federal Deposit Insurance Corporation (FDIC). We recommend that deposits be extended to various financial institutions to decrease the risk of loss to the Township.

Bond Reserve Requirements

At December 31, 2004 there was a shortage of funds deposited to meet the bond requirement funds as outline in Note H. The Township needs to review the schedules, consider rate changes and discuss the requirements with USDA.

GASB 34 (2th year of repeat)

Although the Local Audit and Finance Division of the Michigan Department of Treasury has allowed a reporting exception to the implementation of Governmental Accounting Standards Board Statement No. 34 (GASB 34) for various Michigan local cities and municipalities, we recommend the City adopt the major changes from GASB 34 to comply with GAAP. This requires the City to issue government-wide financial statements based on full accrual accounting. This change will also require the City to place a value on all capital assets, calculate depreciation, record offsetting long-term debt, and report information regarding the net value of assets on the government-wide financial statements.

We would like to thank the staff for the excellent cooperation we received during our audit. We appreciate the opportunity to present the above suggestions and are prepared to discuss them at your convenience.

Bruce A. Rukkila, CPA, P.C.

Certified Public Accountants

June 27, 2005